clerks@guamlegislature.org

From: Speaker's Office <speaker@guamlegislature.org>
Sent: Friday, August 21, 2020 2:14 PM
To: Clerks Office; Rennae Meno
Subject: M&C Fwd: Health Insurance Negotiations for FY2021
Attachments: Health Insurance Negotiations for FY2021.pdf

08-20-20	5:13 PM	08-19-20	Health Insurance Negotiations for Fiscal Year 2021.*	Department of Administration	35GL-20-2164

Sinseru yan Minagåhet,

Office of the Speaker • Tina Rose Muña Barnes
Committee on Public Accountability, Human Resources & the Guam Buildup

35th Guam Legislature
I Mina'trentai Singko na Liheslaturan Guåhan

Guam Congress Building | 163 Chalan Santo Papa | Hagatna, GU 96910
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Gumai pribilehu yan konfedensia este siha na mensåhi. Solo espesiåtmente para hågu ma entensioña pat ma aturisa para unrisibi. Sen prubidu kumu ti un ma aturisa para manribisa, na'setbe, pat mandespåtcha. Yanggen lachi rinisibu-mu nu este na mensåhi , put fabot ago' guatu gi I numa'huyong gi as speaker@guamlegislature.org yan despues destrosa todu siha I kopian mensåhi. Si Yu'os ma'åse'.

---------- Forwarded message ---------
From: **Michele N. M. Rabon** <Michele.Rabon@doa.guam.gov>
Date: Thu, Aug 20, 2020 at 5:13 PM
Subject: Health Insurance Negotiations for FY2021
To: speaker@guamlegislature.org <speaker@guamlegislature.org>
Cc: Leonora P. Candaso <Leonora.Candaso@doa.guam.gov>, Naomi Sablan <Naomi.Sablan@doa.guam.gov>

Hafa Adai Madam Speaker,

Please see attached PDF regarding the Health Insurance Negotiations for Fiscal Year 2021. Should you have any questions, please contact the Benefits Branch at 475-1103/1121/1179. To ensure that email and attachment was delivered, kindly requesting an acknowledgment received for both the email and attachment. Thank you.

Regards,

Michele M. Rabon

Personnel Specialist

Department of Administration

Human Resources Division

Email: michele.rabon@doa.guam.gov

Tel # 475-1121

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EDWARD M. BIRN
Director (Direktot)
EDITH C. PANGELINAN
Deputy Director (Sigundo Direktot)

DEPARTMENT OF ADMINISTRATION

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LOURDES A. LEON GUERRERO
Governor (Maga'hâga)
JOSHUA F. TENORIO
Lt. Governor (Sigundo Maga'lâhi)

August 19, 2020

Honorable Tina Muña Barnes
Speaker, 35th Guam Legislature
Guam Congress Building
163 Chalan Santo Papa
Hagatna, Guam 96910

RE: Health Insurance Negotiations for Fiscal Year 2021

Dear Madam Speaker,

Hafa Adai! Health insurance negotiations for FY 2021 were successfully concluded in accordance with the group health insurance benefit law for employees, retirees, survivors, and foster children of the Government of Guam found in Chapter 4 of Title 4, Section 4301, Guam Code Annotated. The Government of Guam Health Insurance Negotiating Team hereby presents its findings for the Government of Guam Health Insurance Program for FY 2021.

This process, as provided in law, required each offeror to submit an exclusive offer and a non-exclusive offer. The exclusive offers assumed that there would only be one insurer made available to government employees, retirees and survivors. The non-exclusive offers assumed that there would be up to three contracts negotiated for group health insurance. Each of the insurers was required to offer identical plan designs for non-exclusive bids.

The Qualified offerors submitted to the Government both an exclusive offer and a non-exclusive offer. Consistent with the Phase 2 scoring provisions of the Request for Proposals, the Team evaluated both exclusive offers, scored them, and voted on the qualified offerors with which to negotiate for FY 2021.

During the Phase 3 negotiations process, the Team evaluated exclusive, non-exclusive, foster, medical, pharmacy, dental, plan designs, contracts, and financial terms. Additionally, the Team evaluated alternative funding arrangements (self-insurance) and claims experience including independently validating carrier's underwriting processes and other plan alternatives. The non-exclusive proposals were not competitive with the exclusive offers. After final negotiations of exclusive offers, the proposals were scored under Phase 4, and the most economical and beneficial offer was recommended to the Governor for consideration as well as recommendations for further opportunities for cost savings.

Guam law requires the Team to forward the most economical and beneficial health insurance proposal for the Government of Guam employees, retirees, survivors, and foster to the Governor for FY 2021 group health insurance. The Governor must consider agreement with the Team's recommended award.

I. CURRENT ESTIMATED ANNUAL PREMIUMS FOR FY 2020

Total premiums for medical, prescription drug, and dental, based on current enrollments, are estimated as follows, broken out by payments by the Government of Guam (GovGuam), employee/retiree contributions, and total premiums.

$(million)s	GovGuam	Employee/Retiree	Total
Medical & Rx	$76.9	20.5	97.4
Dental	3.4	4.3	7.7
Combined	**80.3**	**24.8**	**105.1**

Inclusive of RSP; Foster Coverage. Dental is based on premium equivalent rate (i.e. self-insured)

It should also be noted that the above premiums are not final as the FY 2020 plan year includes a "Participating Contract Agreement" that will be calculated and paid out as appropriate at the end of April 2021 in accordance with the current contract. This agreement protects GovGuam from overpayment of premiums each year. Additionally, actual FY 2020 enrollment may cause variance in the estimates provided.

II. RECOMMENDED EXCLUSIVE OPTION FOR FY 2021

The offerors were scored by the Negotiating Team with the recommended offeror receiving the highest score.

The Exclusive Option was selected, and includes the following plan details:

- A Participating Agreement offered by the exclusive vendor, providing a maximum retention rate of 14% providing Target Experience to be calculated by multiplying total premiums earned by 86%, and resulting in a potentially higher Participating Contract Refund for FY 2021 (or lower deficit if actual experience is a negative amount).

- Prior to FY 2020, Quality Improvement (QI) initiatives and taxes were offset from premiums in the calculation. This effectively allowed the carriers in prior years to increase their retention above 14% by including the costs of these QI management programs and taxes within the 86% intended to represent claims. The team negotiations improved the net retention rate by INCLUDING the taxes and QI initiatives within the carrier's retained percentage effectively lowering the insurer retention from **14% to 9% where the QI is included in the 9%.**

- Overall estimated FY 2021 annual premiums are $120.7M representing a potential estimated **increase of $15.6M** from FY 2020 estimated annual cost of **$105.1M (amounts stated in Sections I)** driven by claims experienced in FY 2020.

- **Migration:** For FY 2020, the increase in scheduled rates was 11.2%. Through effective favorable migration from the PPO to HSA plan, and retirees to RSP the cost increase was closer to 2%. For FY 2021 Open Enrollment, Retirees will be encouraged to choose the Retirement Supplemental Plan (RSP) to effect a lower overall cost to GovGuam.

- Improved performance guarantees from FY 2020 were continued for the FY 2021 contract. Prior to FY 2020 guarantees would result in carrier's at-risk fees of less than 100K. Under the FY 2021 contract, this was maintained at $1M of carrier premium at risk for member service, claims payments, and client service performance.

- Negotiations achieved a reduction in scheduled premiums of $3.1M and a further $1M secured by the following plan changes approved by the Committee.

    - Copays for mail order brand drugs were increased from $0 to $30
    - Copays for mail order non-preferred drugs increased from $0 to $100
    - Implementation of a "Centers of Excellence" (COE) program, which contains benefit incentives for members to select cost-effective high-quality facilities by covering airfare benefit

- The team also indicated that the DOA will work closely with the selected carrier to optimize Medicare enrollment for FY 2021. The current carrier has identified retirees that may be currently eligible for Medicare but not enrolled. In partnership with the DOA, the carrier will proactively reach out to these members to optimize enrollment representing possible further savings to the plan as Medicare becomes the primary carrier.

The Negotiating Team was also required to procure health insurance coverage for Foster Children under the care of CPS. The requirement is full Health Insurance coverage for these children which include full payment of:

- Medical care with no deductibles or co-insurance (i.e. 100% payment of all claims)
- Dental care with no deductibles or co-insurance at 100% of costs
- Prescription drug coverage paid at 100% of costs

DOA is responsible for managing this program on a separate rate/cost basis under the current GovGuam employee and retiree program. However, since the benefits and utilization are very different from the employee plan, this will be tracked as a separate line item under the plan.

III. Dental Funding

The dental coverage will continue on a self-insured basis for FY 2021. The coverage funding mechanism, will continue to be transparent to agencies as operated in FY2020. The government continues to act as the risk bearer and will continue to place funds in a dedicated account paying for dental claims. Claims will continue to be paid by the administrator of the plan and will be reimbursed from the funds.

Thank you for the opportunity to present the results of the FY 2021 Health Insurance Negotiations. I am available should you have any questions or need additional clarification. ***Si Yu'os Ma'ase.***

Senseramente,

EDWARD M. BIRN
Director